

THEORY AND PRACTICAL ASPECTS OF THE INNOVATION MARKET DEVELOPMENT IN UKRAINE

Structural aspect

Objective. The objective of the article is a complex analysis of the problems of innovation market formation in Ukraine for improvement of innovative development practice of the domestic economy.

Methodology. The method of analysis and synthesis, systematic approach elements, a comparative analysis and statistical methods for solution of theoretical and practical aspects of the innovation market development in Ukraine have been used in this paper.

Results. The essence of the innovation market as a movement of new R&D deliverables and certain market relations has been revealed in this paper. The system-forming elements of the innovation market were established; its functions as a reflex of properties and its role in the market system relation were determined. Qualitative characteristics of the developed innovation market were analyzed and on the basis of a comparison principle there were deduced its specific features in Ukraine. The recommendations were given as for state regulation of the innovation market development as an internal factor of economic growth.

Academic novelty. It was improved a complex analysis of problems of the innovation market formation in Ukraine which unlike the existing ones makes possible to improve theoretical and practical aspects of innovative development of the domestic economy.

Practical relevance. The obtained results are directed to development of concrete improvement methods and the activity analysis of the innovation market as an element of socioeconomic system of the country.

Key words. *Innovation market, an innovative product, objects of the innovation market, supply and demand for an innovative product, market uncertainty.*

Problem definition in general view and connection with the most important scientific and practical tasks. The content of a present-day process of economic development accompanied by arising of new knowledge turned into technologies, services, equipment, staff qualification and setup for production gives rise to the innovation market formation. This market should be considered as a key and resumptive requirement to investment priorities of the forming economic system of Ukraine. Therefore carrying out of the policy of encouragement of investments into the innovation market, formation and commercialization of high technologies assumes principal significance. This is because the market of the country can functionate only when all production factors are included into a market turnover on equal terms. However the problem of activation of the innovation market creation in our country so far is not adequately investigated.

Analysis of the last researches and publications. Significance of the innovative process in development of the world economic system and separate economies stipulates scientists' attention to the essence of the phenomena typical for innovative markets. The basic ideas relating to theoretical and practical bases of the innovation market formation were represented in the papers of well-known to our

scientific community scientists such as J. Schumpeter, B. Santo, E. Toffler, M. Porter. Many native and Russian scientists devoted their researches to theoretical aspects of the innovation market and the issues of its formation. For example, O. Prokopenko and E. Rozhkova investigate a theoretical-methodological approach to modelling of the innovation market permitting to determine the potential of state stimulation of ecologization of innovative activities of enterprises [1]. V. Gurin and V. Bushnov consider the current state of the innovation market infrastructure of Ukraine, propose organizational and economic ways of rational structures formation and management tools in a sector of creation of science-intensive innovative products [2]. Methodological and theoretical-practical recommendations as for activization of Ukrainian integration into the world innovation market were developed in the research of V. Krivous [3]. I. Budnikevich analyses regional aspects of the innovation market functioning [4]. T. Vasilieva researches theoretical basics of formation and functioning of the innovation market in Ukraine, its specific features [5]. The Russian scientists V. Vasiltsov, S. Vinogradov and T. Kharlamova consider the innovation market development in the context of the economic system of Russia [6].

In spite of existence of the considerable number of papers devoted to the essence of the innovation market a variety of questions continue to be unsettled and debating. The problems of functioning of the innovation market as an element of a socioeconomic system of the country require the follow-up study, an issue of the significance and role of the innovation market with the forming national innovation system of Ukraine continue to be unresolved, as well as issues connected with a role of the innovation market in the incipient knowledge-based economy.

Problem definition. The goal of research is a complex analysis of a problem of the innovation market formation in Ukraine for improvement of the practice of innovative development of its economy.

Presentation of the basic data for study. Due to high deterioration and moral ageing of the industrial equipment stock, lack of necessity of its renewal and for enhancement of efficiency and competitive ability of the domestic manufacturer the research-and-technology degradation of Ukrainian industry press use of product and technological innovations which are impossible without financial and institutional and management novations. The last one is possible only in case of organization of innovations proposal and stimulation of demand for them in other words it is possible subject to formation of the civilized innovation market with its effective business struggle.

An analysis of economical essence of the innovation market leads to consideration of its economic functions without fail. It is worthy of note that researchers pay special attention to affirmation of five principal functions such as provision, regulation, information, stimulation and sanitation that should be formed by the innovation market [7, c. 86]. Properly speaking it is referred to classical functions of traditional commodities market. Innovative products as a product in the innovation market are distinct from the ordinary goods in the fact that they are the results of a multisubjective process of innovative activities; they can be in the form of an innovation project or a product; the cost and price of the innovation is formed not

only under influence of the size of aggregate demand and supply, but also under an economic resultant value of a concrete production factors interaction.

From the point of view of a scientific-technological progress development the most significant function is integrating one. It precisely allows to join the spheres of production and consumption with scientific and research structures and promotes the development of active exchange of novations. The next function is regulating one. The innovation market is no exception; an “invisible hand” of market forces is present here as well. Within the constraints of the action of a regulating function it will be seen a progressive impact of the innovation market on all constituents of the national economics, more specifically: provision of balance of supply and demand, consistency of a structure of production and consumption of new goods etc. A function put manufactures on creation of new products with a less cost-level, and consequently profit markup of an enterprise. This function is the basis of production intensification and efficiency improvement of the national economics functioning by means of innovative development.

Determination of price equivalents for the purpose of exchange of goods is executed with the help of a price forming function. The innovation market allows to compare individual expenses for goods production with their public equivalent. There is commensurability of expenses and results of a new product creation, revealing of its valuables by means of comparison of the quantity of direct labour, capital and earned profit. The innovation market also allows to define necessity and serviceableness of a new product for the consumer, its qualitative and quantitative characteristics. Exactly this problem is solved by a controlling function of the innovation market acting as a controller of end results of production and consumption of innovative products.

A mediatory function of the innovation market enables economically feasible manufactures and consumers of innovations to come into exchange of R&D results. The market affords opportunity to compare a degree of mutual profit from economic and technological cooperation between various subjects of innovative activities. As a consumer of innovative products as well as a producer get the most premiere choice. Information function of innovations is directed to formation of such organization of innovative activities wherein accumulation and processing of a considerable quantity of information, integration of information about state of market, terms of realization of innovative products take place. Information function admits market participants to receive the most objective information about demand for novations and their supply. The important function of the innovation market is a function of economic feasibility. It is directed to reduction of circulation costs in the sphere of innovative products consumption, establishment of equivalency between a demand level on the part of market participants, a level of actual revenues etc.

Innovation market development and its optimal performance of functions work towards achievement of the degree of a mature market. The mature innovation market is characterized by the following qualitative characteristics:

- it is a market mechanism acting automatically and including effectively interacting supply and demand;

- acts as an integral system of interacting markets: goods, capitals, labour power, stock and financial market and its extension to the whole range of social activities ;
- possesses a well-run system of a market infrastructure which includes a banking sector, credit and insurance establishments, exchange markets etc.;
- an excess of offered goods volumes in the market over their demand is typical, in particular, the buyers and not the manufactures determine a level of requirements to a customer value proposed in the goods market;
- competition between manufactures for the consumer in the market;
- free market activity as of the consumers as well as of the manufactures.

The innovation market formed in Ukraine, by virtue of imperfection of the domestic market economy, has special qualitative characteristics inherent to the countries of advanced economy as well as to developing countries. At present the Ukrainian innovation market is not a self-regulating mechanism able to create the guide marks for capital investments into production of innovative products through the impact on prices and demand. The domestic innovation market leads to various negative social effects such as differentiation growth of a population living of standard and unfair income distribution in society. The innovation market is able to increase an unemployment rate; it does not create conditions of enforcement of the right to labour for all members of society and does not guarantee full employment of population. Demand for labour power is of differentiated nature on a part of high technologies producers. All of this increases unfair income distribution as well as differentiation of a population standard of living.

The innovation market functioning can lead to enhancing of negative external effects, in particular, to environment pollution increase by enterprises. Manufacturers in their pursuit of profit increase ignore potentially negative consequences of the taken innovative decisions rather often. The innovation market influence not always spreads to those types of innovative activities which are not included into the focus of commercial interests. The innovation market does not create some effectual motivations for production of innovative social goods therefore it can not furnish society with new goods and services.

Like in the developed countries, consolidation is contraindicative for Ukrainian innovation market – individualists are acting here, the “freedom-loving minds”. As a rule market consolidation necessary for liquidity maintaining and corresponding permanent reservation of heavy funds is required. The innovation market has no need of liquidity, it is potential and therefore reservation mechanism falls away. First of all an outflow of capital from the country is connected with a lack or insufficiency of the attractive investment objects in the internal market. In the same way innovations outflow to external markets makes good the deficit of the national economy demand, but in fine it stimulates their production much more effectively rather than any administrative measures.

All subjects of innovative activities depend upon institutional environment in the national economy and freedom of innovative activities in their motives and actions. The consequence of this is the necessity for economic entities to obey force of economic laws and to combine their activity in accordance with objective interrelations in the most effective manner. Meanwhile “a fundamental problem of

the innovation market in Ukraine is that the hair-line cooperation between the entities is absent in this market” [5, p. 64]. Ukrainian economic reality leads enterprises not to prosecution of scientific researches and developments but to acquisition of machines and equipment at best. In 2000 a share of the acquired machines, equipment and software in an aggregate amount of expenses of the enterprises engaging in innovations amounts to 61% (1760,1 mln. UAH.), In 2011 this index was increased to 73 % (14333,9 mln. UAH.). For this period the cost share of enterprises for researches and developments in an aggregate amount of costs was reduced from 15,1 % to 7,5 % [8].

As a rule the innovation market is engaged in realization of applied scientific-technical achievements and does not give essential motivation for execution of fundamental investigations being a recipe for the further innovative development of the national economy. At the same time according to the data of the State service of statistics of Ukraine there was increase of financing of the fundamental researches from 140, 6 mln. UAH in 1996 up to 2205,8 mln. UAH in 2011 in Ukraine. At that the percentage of the fundamental researches in gross volume of the performed scientific and scientific-technical papers was increased from 12,6 % to 21,3 %. Absolute financing of the applied researches was increased from 321,6 mln. UAH. to 1866,7 mln. UAH for the same period, in other words the share was reduced from 28,9 % to 18,03 % [8]. This event does not contradict the general regularities of the market development and gives evidence of general decrease of innovative activities of enterprises and the state in the national economy. In particular the percentage of the made scientific and scientific-technical papers in GDP was increased from 1,36 % in 1996 to 0,79 % in 2011 in Ukraine. [8].

The cyclicity of development is typical for the innovation market that leads to reduction of innovative activities. Dynamics of the share of enterprises engaging in innovative activities aligns with recession of international economics in 2008, if in 2007 the share of Ukrainian innovative enterprises amounted to 14,2 %, then of 2008 it was reduced to 13,0 %, and to 12,8 % in 2009. According to overcoming the crisis of the national economics this index demonstrates a positive dynamics: 13,8 % in 2010 and 16,2 % in 2011. [8].

Directions of development should also be referred to peculiarities of the domestic innovation market. Basically it executes within the frame of corporate-monopolistic forms of large economic systems and complete underdevelopment of really independent small-scale innovative entrepreneurial structures. Small business does not act in the national economy as motivation of innovative development of the country. Share of small-scale scientific-technical and innovative enterprises in Ukraine is insignificant: according to the data from the official statistics for 2006 it was 1,4 % in the sphere of investigations and developments and 0,6 % in the sphere of education. At present this index is not fixed at all. [9, c.152-153].

Ukrainian innovation market is exemplified by lack of serious motivation of the majority of economic entities to development of new innovative projects and increment of innovative activities of already-existing business. Presence of the alternative possibilities for investments (rental behaviour) decrease motivation for search of innovative decisions. Attention should be paid to business climate and

absence of culture of innovative entrepreneurship in the country which are well away from ideal.

Ukrainian narrow mine is another peculiarity of the domestic innovation market. Today for successful creation and functioning of the innovation market we can not be exceptionally guided by regional or national markets solving local problems. Development of an innovative product will be more effective the faster it gets to a global market. The speed of its moving-out to this sale level is higher the less time is taken for local markets achievement. Success of the innovative market is possible only in case of orientation to a global market with integration into the global knowledge-based economy.

While on the subject of the innovation market the significance, role as well as a degree of presence of the state should be noted. On the one hand, overindulgence of the attempt to create a working innovative system in a manual control mode does not always give expected results. The tasks and day-to-day activity of the innovation market should be determined not by plans and programs made by bureaucrats but by the primary needs of concrete companies such as high-tech companies as well as the companies related to traditional branches but desiring to increase competitive advantage due to innovations implementation. On the other hand, the practice of ineffective innovative policy which would really unite the objectives of scientific, investment, industrial policy of the state, structural adjustment in economics and would be shown in fast degradation of its technological structure. At that a serious regress covers the most advanced productions, that was demonstrated at least by 15-25 years developmental gap of Ukraine [10, c. 178].

Conclusions. Therefore, the carried out analysis allowed to educe the theoretical bases of the innovation market formation as a special form of economic relations established in the convertible economics of Ukraine. In all its theoretical significance, the underdevelopment, opacity and limitation of functioning due to weak innovativeness of the economy itself and its economic entity are inherent to this market today.

Development and realisation of the bases of state innovative policy for long-term future are considered to be the most significant problem on the way of the innovation market development for the purpose to determine the perspective technologies and market, directions cooperation of the business and the state in creation and widespread development of competitive innovations, to afford opportunities to reduce uncertainty of the innovative process to private business.

For the purpose of the system work enlargement for creation and implementation of new materials and processing technologies and instruments in other words those innovative products which are in demand of up-to-date innovation market, granting of favourable taxes to high-technology enterprises as the active entities of the innovation market are required. This direction is deemed the most preferential in virtue of a purposive nature of advantages action and consequently a high economic efficiency.

The important task of interaction optimization between the investors, subjects of innovative activities and economic entities determining demand is formation of the integral system of elements of the innovation market infrastructure as a single

complex and harmonious mechanism. The level of its development helps towards the attainment of the intended results of innovative activities, forms priority investments and determines duration of innovation process realization.